

July 12, 2007

The Honorable Collin C. Peterson
Chairman
Committee on Agriculture
U.S. House of Representatives
1301 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

First, let me begin by thanking you once again for your strong support and leadership in behalf of this nation's farmers and ranchers.

As you are well aware, U.S. farm policy has been the subject of unrelenting, unfair and blistering attacks, making the already tough job of writing and passing a Farm Bill all the more challenging. If it is any consolation, you should know that the strong personal commitment you obviously have to those who put food on our tables and clothes on our backs every day brings a lot of hope to people.

I am writing to thank you for fairly and equitably addressing in your Chairman's mark an issue that is probably not on every one's front burner, especially given all that is going on with the Farm Bill, but which is extremely important to those farmers it affects and that is forward contracting.

There are a lot of finely woven arguments about this issue but, to me, it boils down to this: if companies who seek forward contracting are confident that farmers want forward contracting and will want to keep it, then I cannot understand why simply requiring that it be reauthorized with all of the rest of the programs and policies in the Farm Bill is problematic. Nor can I fully understand their objection to including basic farmer protections.

Nearly every farmer I know would like to have their program or policy made permanent. But that is not the reality we live in. No matter how successful a program or policy, we have all had to explain to our colleagues and to the public every five years or so why the programs and policies we believe in are important, why they are good policy, and why we should keep them. So I have a hard time appreciating why the companies expect special treatment. There are some exceptional cases, both in and out of farm policy, such as Social Security or even crop insurance, where permanent law is necessary, but forward contracting would hardly rise to this level.

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The companies point out that there is not enough certainty for forward contracting unless it is made permanent. But, again, that is an uncertainty that every farmer and rancher in the country faces every time the Farm Bill comes up for renewal.

There is a very clear difference between forward contracting for corn and forward contracting for milk because the safety net for each is so different. One is a direct payment and the other is a minimum price. When a farmer forward contracts his corn, he does not jeopardize the benefit of his safety net. But, forward contracting on milk can affect – and, in fact, undermine – the safety net for a dairy farmer by undercutting that minimum price. For dairy farmers, forward contracting has the potential at least to become a race to the bottom. Given these concerns, it is not unreasonable to ask that a forward contracting program be reexamined like the other farm programs and policies and to ask that basic safeguards for farmers be included. As you know, these concerns were raised during subcommittee consideration by several members.

The issue of forward contracting of milk has been around for a while, with farmers largely opposed and companies in favor. I am sure that more than a few Members of Congress have wished that a compromise on this issue might have been reached long ago to avoid any conflict, often between constituents. To its credit, the National Milk Producers Federation stepped up to the plate and tabled a compromise, conceding the issue of forward contracting provided that it be on the same basis as the other programs and policies in terms of authorization period and that it contain basic safeguards. I think the National Milk Producers Federation did the right thing by going out of its way to finally diffuse this issue by offering a reasonable compromise – and then going even one step further to try and accommodate the companies by agreeing to allow contracts to actually expire up to a year after the expiration of the Farm Bill.

Again, Mr. Chairman, I appreciate all your efforts in behalf of the nation's farmers and ranchers, including on this important issue. I certainly do not envy the responsibility you have, but I commend you for your hard work and dedication to making certain farmers get a fair shake when they face so many challenges right now.

Sincerely,

Larry Combest